

TRANSCRIPT

July 18, 2006

COMMITTEE HEARING

U.S. SENATOR TOM COBURN (R-OK)

CHAIRMAN

SENATE HOMELAND SECURITY AND GOVERNMENT AFFAIRS, FEDERAL FINANCIAL  
MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY  
SUBCOMMITTEE

WASHINGTON, D.C.

U.S. SENATOR TOM COBURN (R-OK) HOLDS A HEARING ON S. 2590, THE  
FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT OF 2006

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U.S. SENATE HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

COMMITTEE: SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,  
GOVERNMENT INFORMATION AND INTERNATIONAL SECURITY HOLDS A

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TRANSPARENCY ACT OF 2006

JULY 18, 2006

SPEAKERS:

U.S. SENATOR TOM COBURN (R-OK)

CHAIRMAN

U.S. SENATOR TED STEVENS (R-AK)

U.S. SENATOR GEORGE V. VOINOVICH (R-OH)

U.S. SENATOR LINCOLN D. CHAFEE (R-RI)

U.S. SENATOR ROBERT F. BENNETT (R-UT)

U.S. SENATOR PETE W. DOMENICI (R-NM)

U.S. SENATOR JOHN W. WARNER (R-VA)

U.S. SENATOR SUSAN M. COLLINS (R-ME)

EX OFFICIO

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RANKING MEMBER

U.S. SENATOR CARL LEVIN (D-MI)

U.S. SENATOR DANIEL K. AKAKA (D-HI)

U.S. SENATOR MARK DAYTON (D-MN)

U.S. SENATOR FRANK LAUTENBERG (D-NJ)

U.S. SENATOR JOSEPH I. LIEBERMAN (D-CT)

EX OFFICIO

WITNESSES:

U.S. SENATOR JOHN MCCAIN (R-AZ)

CHAIRMAN,

INDIAN AFFAIRS COMMITTEE

U.S. SENATOR BARACK OBAMA (D-IL)

GARY BASS,

EXECUTIVE DIRECTOR,

OFFICE OF MANAGEMENT AND BUDGET WATCH

ERIC BRENNER,

DIRECTOR,

MARYLAND GOVERNOR'S GRANTS OFFICE

MARK TAPSCOTT,

EDITORIAL PAGE EDITOR,

THE WASHINGTON EXAMINER

COBURN: The Federal Financial Management, International Security Subcommittee of the Homeland Security Committee will come to order.

I would put this note that we have three stacked votes at 3:45, so we're going to try to move through this to not delay anyone.

2006 marks the 40th anniversary of the Freedom of Information Act; it also is known as FOIA. The essence of FOIA is to give the average citizen access to nearly all government documents simply by asking for them in the hope that with more information would come more accountability.

But FOIA requires government staff to respond to requests for information. As the government has grown through the years, the act has proven woefully inadequate at providing citizens timely and complete information on their government.

Today, the government continues to grow at a tremendous pace. We now spend nearly \$3 trillion each year to keep it running. This includes \$460 billion dollars in grants and sub-grants, \$340 billion in contracts, and hundreds of billion dollars more in loans, insurance and direct payments.

With this kind of spending, transparency is more important now than it was when FOIA was first passed. What this bill does -- this is why I, myself, with Senator Obama, Senator Carper, Senator McCain, Senator Sununu and Senator DeMint have introduced a bill that we believe will go a long way toward equipping citizens with the information that they need.

The Federal Funding Accountability and Transparency Act of 2006 would require the administration to operate a Web site that anyone can access for free, disclosing every recipient of federal grants, contracts and loans. This would include how much money was given and for what purpose, extending to subcontractors and sub-grantees.

On the issue of tracking sub-awards, I believe it is vitally important to know where the tax dollars are ultimately spent. Often

times, grants and contracts are given to initial recipients, but the money ultimately goes to organizations farther down the line. I don't think it's too much for the American public to ask that if they're going to supply the money, they should know where the money is ultimately spent.

I like to think of this bill as the Google for good government spending. The concept behind the bill is really quite simple: put information on government spending out there for all to see, and greater accountability will follow.

It will also change the expectations of those receiving funds that they will know in advance that the information will be public.

This is not a new concept by any means. It was espoused first by Thomas Jefferson, who in 1802 had this to say -- and I refer to this poster on the audience's left -- "We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any kind -- and any mind in the Union should be able to comprehend them, to investigate abuses and consequently to control them."

The founding fathers believed in transparency for government because even back when budgets were much smaller and the possibility of abuse, waste and malfeasance was just as real -- but with transparency comes accountability.

Those who we envision using this information would be everyone from the man on the street to the watchdog organizations to media outlets to government auditors. The hope of our bill is to harness the power of an eager citizenry wanting to know where tax money is spent by arming them with information.

No business or household could operate the way the federal government does. Every entrepreneur knows that transparent accounting and budgeting information is critical to keeping the business afloat and knowing the decisions that need to be made. I note that our government is not exactly afloat and maybe the shroud of secrecy around how money is actually spent is partly to blame.

Federal agencies have access to money and power often without the needed transparency or accountability, so it is not a mystery why abuses occur.

Without the level of transparency called for in the bill, the potential for waste and abuse is enormous considering the following examples of outrageous spending that we've uncovered: half a million dollars for a Teapot Museum in North Carolina; half a million dollars in defense money for Arctic Winter Games -- that's money designed to defend this country; half a million dollars for the Museum of Glass in Tacoma, Washington; half a million dollars for Fort Dupont Ice Arena in Washington, D.C.; more than \$2 million for the Appalachian Fruit Laboratory in West Virginia; and \$5 million for the St. Louis Zoo -- all at the time that we're running record deficits.

It's fine that we've done that, but we should be held accountable for it. Each of these items was buried deep within a report not readily accessible to the public or even to members of Congress who

had to vote on them. The American public should know that its members of Congress are spending their money on these things.

Some have argued that the government already operates some databases and, therefore, this bill is unnecessary. Let's talk about some of those. The Federal Procurement Data Base, which tracks federal contracts, does not provide details on what federal contractors are doing with money they get nor is the system very easy to use. Or again, the Federal Assistance Awards Data System, which tracks grants, loans and other awards, while giving more details than FPDS, only provides quarterly data and is not searchable.

Even the president's annual budget to Congress, which gives the most comprehensive picture of what the federal government spends, is only an estimate. OMB does not collect this information, Congress does not collect this information -- nobody collects this information. The bottom line is there is no single source of information available to the taxpayers and members of Congress and the auditors explaining where federal money is spent and where it should be.

When I tell people about the bill, the response I usually get is, "You mean, that doesn't already exist?" Most people are astounded to hear that there is not a Web site available now disclosing everyone who gets federal money. The idea is just so common sense that it is hard for anyone to oppose -- that is, unless they have something to hide.

As of today, the bill has been endorsed by over 100 organizations spanning the entire political spectrum and, under normal circumstances, wouldn't be able to agree on much. Liberal and conservative organizations have come together around this idea of sunshine. If they can agree, so can Congress.

I look forward to hearing from our witnesses today and I want to thank them for what they've done for us thus far.

And I would next recognize the full chairman of our committee, Senator Collins.

COLLINS: OK. I know, Mr. Chairman, that you're eager to hear from our witnesses, so I'm going to put my full statement in the record and just make a few comments.

First, I want to applaud your leadership, Senator Carper, Senator McCain and Senator Obama, for introducing this bill. It is astounding, in this age of the Internet, that we don't already have an easily accessible, searchable, Web-based site that the taxpayer can go to to see how our money is being spent.

And I think your proposal will increase accountability -- as you've often said, transparency is the first principle of accountability. If people have no idea how their tax dollars are being spent, then it's very difficult for them to hold us all accountable. So I think this is an excellent concept. I've been working very closely with you to refine the bill and I want to give you my personal commitment to moving this bill out of committee as soon as possible.

Thank you for your leadership.

COBURN: Senator Carper?

CARPER: I have a statement I'd like to give -- I want to refrain from doing so until we've heard from our few witnesses. Mr. President -- Mr. Chairman -- I'm getting carried away.

Mr. Chairman, you quoted our third president and just sitting here, Senator Collins, I just thought, you know, we've heard a quote from our third president -- it's possible that in this first panel, we may have a future president -- maybe two future presidents to tell us why this is such a good piece of legislation.

So I've heard Senator McCain say that in the United States Senate, unless your -- everybody is assumed to be running for president unless -- what is it -- you're indicted or what?

MCCAIN: Unless you're under indictment or detoxification, you automatically consider yourself a candidate for...

(LAUGHTER)

CARPER: I consider that Senator Obama is throwing his hat into the ring as well, so...

(LAUGHTER)

I'm going to hold off. One thing I would say, you quoted in Thomas Jefferson, one of the things that -- I think it was Jefferson who said -- he said, "If the people know the truth, they'll not make a mistake." And I really think this what it's about -- trying to make sure the folks that run this country know the truth and if they do, they and hopefully we not make a mistake.

And with that having been said, maybe I can give the rest of my statement once we've heard from our witnesses. But our colleagues -- Senator McCain and Senator Obama, it's great to see you sitting side by side and it's good to hear from you. Thank you.

COBURN: Let me first recognize Senator McCain. He's known by his reputation as being one of the lone voices in the Senate championing the cause of fiscal restraint in his crusade against earmarks. His support of this bill is vital and he recognizes its importance to us as a nation to control spending that otherwise is out of control.

I've had the great pleasure of working with Senator Obama on many issues in a bipartisan fashion to make government spending more transparent, more accountable and therefore doing the proper job of oversight, which we are entrusted with.

I'm delighted to be working together with him on this bill and I thank both of our senators for being here. And I would recognize Senator McCain first and then, following that, Senator Obama.

MCCAIN: Thank you very much, Mr. Chairman, and I want to thank you and Senator Obama and Senator Carper and Chairwoman Collins for your involvement in all these issues and including this specific one.

Mr. Chairman, I'm going to make my remarks brief because some of it would be repetitious from what you and Senator Collins already said, so I'd ask that my complete statement be made part of the record.

COBURN: Without objection.

MCCAIN: And summarize by saying, as you mentioned, Mr. Chairman, it would create -- this bill would create a searchable database available to the public at no cost that lists each entity receiving federal funding. It would show the amount of federal funds the entity received in each of the last 10 fiscal years, an itemized breakdown of each transaction, the location of the entity and the unique identifier for the entity and its parent entity. It would be very important -- all of those provisions, Mr. Chairman.

And I think critics of this bill have suggested the requirements are too burdensome and it would be too costly and take too much work to collect and post this data. I don't buy that argument, Mr. Chairman. In fact, if you looked at -- and I know you did -- the front page of this morning's Washington Post and -- if you don't mind, I'd just quote briefly from it.

"On a clear, cold morning in February 2003, Nico de Boer heard what sounded like a clap of thunder, stepped outside his hillside home for a look. High above the tree line, the 40-year-old dairy farmer saw a trail of smoke curling across the sky -- all that remained of the space shuttle Columbia. Weeks later, the boy was startled to learn that he was one of hundreds of East Texas ranchers entitled up to \$40,000 in disaster compensation from the federal government, even though the nearest debris landed 10 to 20 miles from his cattle."

"The money came from the U.S. Department of Agriculture as part of the Livestock Compensation Program, originally intended as a limited helping hand for dairy farmers and ranchers hurt by drought" -- by drought.

"Hurriedly drafted by the Bush administration in 2002, expanded by Congress the following year, the relief plan rapidly became an expensive part of the government's sprawling system of entitlements for farmers, which topped \$25 billion last year."

Mr. Chairman, the important point -- and I would ask that this entire article be made part of the record -- but the interesting thing is sometimes you and I are derided because we talk about \$75,000 for the Cowgirls Hall of Fame, \$50,000 for this -- Mr. Chairman, this is \$1.2 billion, "B," that were given to cattle ranchers even if the debris from the space shuttle landed 20 miles away from their place where their cattle were kept.

I mean, now, how did we find about it? Because there was some enterprising reporter who dug it up -- who found it out. I didn't know about it. I doubt if any of us here knew about such a program and so why don't we have a way that people, average citizens, would know about the program? That's the question -- about these incredible excesses.

And the only way, I think, Mr. Chairman, is -- Senator Collins mentioned the first step is transparency. And I believe that your proposal needs to be enacted. It needs to be enacted quickly.

As you know, Mr. Chairman, in 1994 there were 4,126 earmarks. In 2005 there was -- 2005 there was 15,877. I mean, the list goes on.

Finally, Mr. Chairman, a recent editorial in The Tennessean stated, and I quote, "Congress needs to open up and shed light on its business in many ways. With an accessible database of grants and contracts, the public may see spending it despises and it may see spending that it approves of, down to the last penny. The only reason to oppose compiling the information for public use is if the government has something to hide."

I thank you, Mr. Chairman, and I want to again thank the bipartisanship that is associated with this bill, including Senator Carper and Senator Obama. I thank you, Mr. Chairman.

COBURN: Thank you, Senator McCain.

Senator Obama?

OBAMA: Thank you very much, Mr. Chairman, Senator Carper, Senator Collins. It's a great privilege to be testifying with Senator McCain, who's worked so tirelessly in shedding light on some of the problems that we've seen here. I want to personally thank Senator Coburn, who I think has -- since he and I entered the Senate at the same time -- been a constant thorn in the side of those who want to waste our money and has been a pleasure to work with consistently.

Senator Collins has done terrific work on government affairs and so I'm really appreciative that you've taken an interest in this bill and I think your support makes all the difference. And, Senator Carper, thank you for your outstanding work on it as well.

This year, the federal government will spend about \$2.7 trillion. The overwhelming share of this spending will go to fulfill America's commitments and to support our public priorities -- so not all money in the federal government is wasted. A lot of it's good spending. We've got a whole bunch of seniors who are going to be getting their social security checks on time, as they should.

We depend on government spending to ensure our national defense, our homeland security, to safeguard our environment, to help our children receive a quality education, provide an adequate safety net for our seniors and the poor.

So I strongly believe that much of the money that we spend here is well spent. But, as Senator McCain pointed out, if even a small percentage of federal spending is wasteful, or lost to fraud or abuse, we should be concerned.

Unfortunately, based on what I've seen in my relatively short time in the Senate, we're not talking about a small percentage of waste, fraud and abuse. It is unacceptable, particularly at a time when this country's most vulnerable citizens need to see government at



its best, at a time when we are running up the credit card for our children and our grandchildren to be wasting money.

But I think all of us have seen evidence, just from reading the papers every day, that it's taking place. It's embarrassing to hear about the government paying 15 times more than the market price for plastic tarps to cover damaged roofs in New Orleans or to pay five times too much for debris removal, or contracting with vendors for ice or transportation services who don't have the relevant equipment or experience.

You know, how can we expect the American people to have confidence in us when they hear about overcharging and overpayment; when they hear about pork-barrel projects, like the Bridge to Nowhere; when they hear about money being wasted on frivolous expenses? How can we expect them to have confidence when the administration and Congress seem unwilling or unable to hold people accountable?

Now, remarkably, as Chairman Coburn and I have discovered, it's often not possible to get good information about federal grants and contracts, even when you're a United States senator. There are several different databases of federal spending information. And some who have opposed or expressed doubts about this legislation have suggested that it would be duplicative of existing databases.

But the fact is, all these databases work differently, they're all incomplete, there's no way to see the full picture of government spending, and they're extraordinarily hard to access, even for professionals whose job it is to monitor federal spending. It's certainly difficult for the average citizen.

And the lack of transparency over the use of federal resources is, to my mind, and I know the minds of Senator McCain and all of you, unacceptable.

You know, if we as senators can't get this information, we can be sure that the American people know even less. And the fact of the matter is, the taxpayers have a right to know how the federal government is managing its fiscal resources -- we have the right to insist upon answers to reasonable questions about where and how our tax dollars are used.

Let me just make a few more points. This is not a partisan issue, as reflected by the sponsorship of this bill. Every single dollar that is wasted is a dollar that cannot be used for reducing the deficit, investing in health and education, or eliminating child poverty.

And so I think it is important for us to realize that whatever our priorities, whether Republicans or Democrats, those priorities are compromised and shortchanged when federal funds are not prudently managed.

It also shouldn't matter whether you think that government ought to spend more money or less money. We can all agree that we should spend money efficiently and transparently. Democrats and Republicans can all agree that wasteful spending is unacceptable, whether it's by FEMA, or HUD, or DOD, or any other federal agency.

And one of the pleasures that I've had in working with Senator Coburn and Senator McCain -- observing the work he does on the floor -- is that sometimes it's, you know, our own favorite agencies that need to be taking the task and I think that's important.

So the first step on solving this problem has already been mentioned -- it's shining a little light on the issue. And to me, at least, this should be a no-brainer. If government spending can't withstand public scrutiny, then the money should not be spent. If a government agency isn't willing to be held accountable for the grants or contracts it awards, then that agency shouldn't have control over federal resources.

Now, it's important to emphasize because I've heard this argument as well and I'm trying to anticipate a few because I know our time is short, transparency, by itself, isn't enough but it's necessary. It may not be sufficient, but it's an important place to start. Transparency wouldn't have stopped FEMA from spending \$880 million on temporary housing trailers that are now sinking and rusting away in Arkansas.

Transparency by itself wouldn't have prevented federal relief monies from being used to perform sex-change operations or to take Caribbean vacations, but transparency is a prerequisite to oversight and financial control.

And my sense is that, once agencies get a sense that somebody is watching them and the taxpayers are watching them, they'll start asking some tougher questions before that money is spent.

So in closing, Mr. Chairman, I just want to thank you for your extraordinary leadership on this issue. I think that anybody who doubts that this is a sensible proposition should take a look at the enormous spectrum of support that this bill has generated. I rarely have seen so many editorials from such diverse outlets and such diverse organizations as this one.

So I think it's time for this bill to pass the Senate. I applaud the subcommittee for holding this hearing. Again, I thank very much Madam Chairwoman of the committee as a whole for helping hopefully to shepherd this bill through.

COBURN: Thank you, Senator Obama.

I just want to ask both of you -- some of the critics of this bill have claimed that the federal government has no business collecting information on subcontractors and sub-awardees.

Do you believe it's important for the government to track federal spending down to the point of actual use? For example, most grant money actually just goes to the state, but the state sub-grants the money to other organizations.

What's your feeling on that?

MCCAIN: If I could just respond briefly: It is the taxpayers' dollars. I think we should track the taxpayers' dollars to its ultimate end. I think you know that there are -- I know you know --

there are burgeoning scandals associated with a lobbyist and a group and a member and a committee and one of the things that we have seen is that entities now feel, particularly small towns and cities across America, feel that they must hire a lobbyist who's well connected in order to get money for projects that they feel they need.

I'm not saying they shouldn't do that, but I'm saying that we should know where the money went and the entity that got the money -- all of it.

COBURN: Senator Obama?

OBAMA: Well, I think Senator McCain summarizes it appropriately. Look, if the city of Chicago receives a CDBG grant and it is going to be using those federal dollars to fund a wide range of organizations, then it should be fairly simple for the city of Chicago to gather up the information about how this money is going to be spent and report it back to this Web site so that all federal taxpayers can know -- folks in Maine can see: Is this money being well spent in Chicago?

And if we can't defend how that money is being spent in Chicago, then the people of Maine or Delaware or Oklahoma have a right to say: This is a bad use of federal dollars.

I think those objections particularly make no sense to me given that, as it is, anybody who is applying for federal grants, is already providing this information to somebody. And simply making sure that it's transmitted to OMB, I don't think it is going to be a tremendous burden on their part.

COBURN: If they're not already supplying that information or don't know the information, they should be.

OBAMA: Absolutely. I mean, I don't know who's getting federal money, no questions asked. If they are, then we should probably stop that practice.

COBURN: We have quite a bit of that.

OBAMA: OK.

COBURN: We're going to be outlining that in this committee. A couple of the concessions that we've made as this bill has worked through, we've proposed a pilot program for sub-award reporting, so we can streamline that to make it easy.

We've added a study on how best to implement a government-wide program to collect and report sub-award data. We've added provisions to minimize the burdens to grantees and contractors of reporting sub-award data and we've delayed the requirement of sub-award reporting from 2007 to 2009.

So we've answered all the questions that the sub-grantees and sub-awardees and subcontractors have had with this bill by providing the mechanism to where sunshine can flow and it will be easily accomplished. Any thoughts -- one of my thoughts when we came up with this bill was, is we need help doing oversight and, you know, we can have 300 million Americans helping us do oversight.

And the real question for Congress, in declining revenues and increasing obligations that we've already committed to is: How do we make the priorities? How do we put what's first, what's second, what's third? What are your thoughts on how this bill, if enacted and when enacted, will help us do those priorities?

Senator McCain?

MCCAIN: Well, Mr. Chairman, I just think that it's the heart and soul of what government should be all about. The more our constituents and our citizens know about how we do business, the greater their trust will be in us. And as I'm sure you know from recent polls, not a lot of Americans have a very high opinion of us and I think this is one of the reasons: because they don't know what we do with their tax dollars.

I'd like to make one additional point, Mr. Chairman. Maybe 10 years ago this would have been a very onerous task: to set up this kind of a database and have everyone have access to it. I'm not a computer expert, but smart people have told me that this is a relatively easy operation and one that it's not too difficult nor expensive.

And so let's say it cost maybe a couple hundred thousand dollars to set this up. Compare that with the knowledge of some of the ways that this money is spent so that it will be a caution to people who want to appropriate money that's not for useful purposes because they will know that their constituents will know and not appreciate the way their tax dollars are being spent.

I'll bet you that it justifies whatever expense is associated with it in the first five minutes.

COBURN: Senator Obama?

OBAMA: I concur. Look, not only do I think that it's a basic principle of self-government, as articulated by Thomas Jefferson, that taxpayers know where their money is going.

Frankly, I also think this will help us senators because I think even given the vigilance of some of the senators who are here in this room, there's a lot of stuff that slips by that we don't know about it.

I mean, none of us have the time -- and our staffs, as able as they are -- to track down every dollar of spending. And, you know, I think we're all constantly surprised at what shows up after we've voted for a bill. And, you know, this will empower citizens and organizations and, you know, it's one of the wonderful democratizing aspects of the Internet that, you know, we can empower a lot of people to do what maybe a few individuals would have difficulty doing.

COBURN: The full committee Chairman Collins' statement will be made a part of the record with unanimous consent as well as co-chairman of the subcommittee, Senator Carper.

Senator Collins?

COLLINS: Thank you, Mr. Chairman. I think that Senator McCain hit on an issue that is very important and that is the lack of public trust in government and certainly the kinds of wasteful spending projects that have been discussed today contribute to that lack of trust. I think there's an upside also from this Web site and that is, in some cases, people may be pleased to see what money is going for. I wonder if our witnesses might comment on that as well.

I see this as helping to give the public more information on what their taxpayers' dollars are used for and also helping us to sort out the proper role of government at the federal level. What kinds of projects and programs should the federal government be paying for as opposed to the state or local level, or perhaps projects that should not have any government involvement at all. So I'd like to ask our two witnesses to comment on that issue, too.

Senator McCain?

MCCAIN: I certainly agree, Madam Chairman, and I'd also like to point out that eventually, perhaps, you could have this listing of what the money was spent for and all the entities and sub-entities, but also you could have a link to the department of government that is responsible for this money and they could have a Web site explaining exactly what that program does.

I think it could be a tremendous educational factor for our constituents, so they would know not only the name of what that program is, but link up with the various agencies of government who would give them a full and complete explanation.

COLLINS: Senator Obama?

OBAMA: I think you're right, Senator Collins, to the extent that people know where dollars are going, you know, that can actually serve a useful purpose.

I, for example, serve on the Senate Foreign Relations Committee, so it's wonderful example of, you know, if you poll the average person, they think that 25 percent of the federal budget is going to foreign aid and when you let them know, actually, it's 1 percent, then they have a better perspective in terms of why we might want to provide assistance to other countries.

Now, then they take a look at where some of the foreign aid is going to and question whether it's appropriate or not. So the point though is that they can create a better understanding, a more robust conversation within our democracy.

I'll be honest with you: One of the things that I've always found to be helpful in my own office -- and this is true when I was a state legislator -- is the more transparency there is, sometimes that helps me beat off constituents who want projects from me.

And when I explain to them, well, you know, actually we're going to have to defend this and I've got to explain why this would be a higher priority than something else, it actually helps me do my job better. So...

COLLINS: Thank you.

MCCAIN: It's always easy to explain to Dr. Coburn, I found.

(LAUGHTER)

COBURN: Senator Carper?

CARPER: (OFF-MIKE) with us this afternoon, listening to the testimony and the responses from our colleagues, I'm reminded by -- of an old reporter, now deceased, who used to write for the News Journal paper in our state -- we have only one statewide newspaper called the News Journal. And the crusty old reporter became a columnists -- his name was Ralph Moyed, died about five years ago.

He used to say when I was a congressman and then governor that we're faced with an issue about whether or not to go forward and do something or not -- sort of a close call -- he would always say: Imagine a front page article on the News Journal, written by Ralph Moyed, above the fold about this particular issue and we would say: Well, maybe we shouldn't do that.

(LAUGHTER)

Or we'd say: Well, maybe we should. And in a way, I think of the legislation that we've all co-sponsored and Dr. Coburn -- Senator Coburn -- has offered is a little bit like having a whole lot of Ralph Moyeds, alive and well and looking over our shoulders and ready to blow the whistle and then whether people want to pay attention or not, that's up to them.

I don't know that there's any silver bullet out there in the fight that we all share, and that is the fight to try to restore some fiscal sanity in this nation of ours, at least for our federal government.

But the thought occurs to me that we could -- you know, most of what we're talking about is domestic discretionary spending and if you actually look at the budget deficit we have, I think for the last year, we could have eliminated entirely domestic discretionary spending and I think we probably still have a budget deficit.

So while it's part of the answer -- getting rid of the wasteful spending in domestic discretionary -- it's not the whole answer. Along the things that Senator Coburn and I have been working on -- or trying to figure out -- are where improper payments are occurring and we've learned that there's roughly \$50 billion or so -- maybe more -- in improper payments last year. That doesn't include -- mostly overpayments -- that doesn't include the Department of Defense.

And among the things that we've learned is that financial controls at the Department of Defense are so haphazard at best that we don't know really what their improper payments are.

Now I would just ask of both of you: In addition to taking a step like this, which I think we all agree is important, what might be some other steps that we should take to reign in the deficits that we all abhor and want to curtail?

MCCAIN: Senator Carper, I think about that all the time. I think that the package of reforms that has recently been proposed by Senator Craig and co-sponsored by many members of the Senate is probably a good idea -- it's a package of budgetary controls, ranging from the line-item veto to various other provisions that would enforce budgetary discipline...

CARPER: Does that include two-way PAYGO discipline?

MCCAIN: I think it does, but I think it's...

(UNKNOWN): I think it's one-way.

MCCAIN: Is it one-way -- do you know, Susan?

COLLINS: Yes, it's one-way -- it exempts tax...

MCCAIN: I think it should be two-way myself, but anyway, I do think that at least it's a good framework of package of reforms. And I think the other aspect of this, as you mentioned, this may be a small part of the budget we're talking about, but we all know that when we have to pick social security and Medicare, we're going to have to ask the American people for some sacrifice in order to fix these systems.

How can you do that if we're spending their tax dollars in the most profligate and obscene fashion as we did for people who have cows 10 miles from where the Columbia crashed? So that's why I think we hear so much from our constituents because they just don't get it. I'm sure you have the same experience that I do when I mention the Bridge to Nowhere -- everybody knows -- they may not know the name of their senator, but they know the Bridge to Nowhere and they're offended by it.

And so I think one of the reasons why we need to focus on this is so that we can go to the American people with clean hands. Finally, could I mention, Senator Carper, I think that this issue of Defense Department financial controls is really something that we have to get on. As you know, the largest part of the budget is defense appropriations -- appropriately so, but it and procurement are out of -- totally out of control and it has to be one of our highest priorities.

CARPER: Thank you.

MCCAIN: Thanks.

CARPER: Senator Obama?

OBAMA: I would echo what Senator McCain says. The -- I think all of us are aware that at some point, in order to get our deficit under control, there are going to be revenue issues that we've got to bring up and there are going to be spending issues that we're going to bring -- and we're going to have to talk about entitlements and we're going to have to control costs and it is very difficult to have that conversation, particularly at a time when Americans are feeling squeezed and more vulnerable, if they think that the money is being wasted.

Now, once the waste has been identified and some confidence has been restored -- that we know where the money is going -- then I think the American people are responsive to calls to sacrifice. They want to do the responsible thing for their children and their grandchildren, but right now the levels of cynicism are so high that it's very difficult to have these meaningful conversations and so, you know, my hope would be that this will be a first step.

One other aspect that I would add to this -- and I think this, you know, dovetails into some of the legislation that's been proposed to shed light on what's happening with earmarks and so forth -- we don't really have what I think most Americans would consider a budget or a budget process. I mean, it's this sort of loose haphazard (inaudible) in which it seems like sometimes the purpose is to make things obscure.

And it's very hard, from my perspective, to step back and take a look and see -- are we spending each dollar in accordance to our priorities since we can't do everything? This kind of effort, hopefully, then builds on other reform efforts to get an overview of the budget. It may help the administration to start thinking about how can we change our practices at the administrative level in order to have a better overview of spending.

And I think it will help put pressure on Congress as a whole to defend those practices, so I -- you know, as you know, I'm a big supporter of PAYGO as an example of a way of at least stopping the bleeding, but I think that this ends up being just one more brick in that structure of accountability that I hope we're going to be building over the next several years.

CARPER: Mr. Chairman, as our colleagues prepare to go back to work, I just want to express my thanks for their being here and to the leadership that they provide and just add maybe one concluding thought. We -- I think Senator Obama made a very telling point here -- as we get serious in the months and years ahead about reigning in these budget deficits, it's going to call for some difficult decisions with respects to revenue and with respect to spending, both on the discretionary side and on the entitlement side.

One of the other things that people -- a lot of people in our country are surprised to find out that there's a tax gap of over \$300 billion in revenues that are owed -- in some cases, the IRS has a pretty good idea who owes their revenues, but they're not being collected. And for us to be able to convince the American people to join us in making some of the tough decisions, they want to make sure that we're doing a better job in controlling discretionary spending, they want to make sure that we're getting a handle on what's going on at the Department of Defense, which we desperately need to do, I think they want to make sure that the folks that actually owe taxes are paying their fair share before anybody else is asked to pay any more.

Again, our thanks to each of you.

COBURN: I want to thank the senators for testifying. The next panel will please come forward. Just to clarify the record, only 18 of the 32 agencies of the federal government reported improper payments. Of the 18 that reported, they documented \$38 billion in overpayments in only 58 -- 57 programs out of the hundreds of programs.



The biggest problem is lack of compliance of the agencies with the improper payments law.

CARPER: Was the Department of Defense one of those who actually complied?

(CROSSTALK)

COBURN: I would also note that it's estimated that there's a \$30 to \$35 billion improper payment in Medicaid and it's -- their improper payments are not being tracked.

I want to welcome our second panel. Dr. Gary Bass -- he's the executive director of OMB Watch. He has been with OMB Watch since he founded the organization in 1983 to serve as a watchdog for federal policies on issues of transparency, openness and good government. Prior to his work at OMB, Dr. Bass was president of the Human Services Information Center and received his doctorate in psychology and education from the University of Michigan.

Next is Mr. Eric Brenner, director of Maryland Governor's Grants Office, the Office of Governor Bob Ehrlich. Mr. Brenner became director of the Maryland Governor's Grants Office in February of 2004. He worked with four governors in three states, from both Republicans and Democrats.

He even worked for the governor of Illinois during Senator Obama's tenure in the Illinois State Senate. He has a degree from Harvard -- John F. Kennedy School of Government.

And finally, is Mr. Mark Tapscott, editorial page editor of The Washington Examiner. In February of this year, he was named editor of the editorial page at The Washington Examiner. Prior to taking this position, he was director of the Center for the Media and Public Policy at Heritage Foundation. He has worked as a journalist for more than 20 years and will discuss with us today the effects our bill will have on the world of journalism.

I'd like to thank each of you for being here. Dr. Bass, you are recognized first.

BASS: Thank you, Mr. Chairman. I'd ask to have my written statement put in the record.

COBURN: Without objection -- all of your written statements will be placed in the record.

BASS: Let me begin by making very clear that with absolute clear and unambiguous language, OMB Watch supports S. 2590. It is the right bill to do, as we heard from the last panel, the timing is right -- this is a good thing to do. It'd be great to move this bill quickly through markup and then directly to the Senate floor and try and get something done, hopefully, with unanimous consent and have this behind us and then work on the implementation.

I also want to thank you and also you with regards -- and other committee staff -- with working with OMB Watch to improve the bill as we've moved along. I think this has been a very cooperative and

constructive process and I thank you for that. At the same time, I think I'm going to advocate as much as I can for improvements on the bill as we move on, but I want to make very clear that we support the bill as it was even introduced -- even before you've added some changes.

We want this bill to pass and we want it to pass soon. And our objective is, strengthen it if we can, but we want it done. So I want to be very clear about that.

I also want to note that we support this bill, as the two senators who spoke on the last panel did, for reasons of the most importance to this country. This is about democracy. This is about openness. It is not just simply a right-left coalition. This is a coalition that cares about openness and accountability and encourages a strengthened democracy and as you have said, Senator Coburn, all along, a strengthened accountability leads to a stronger democracy and we believe that -- we believe that fundamentally.

At the same time as we believe at a theoretical or philosophical view, we're also very frustrated you can't get the information. It is just not able to be obtained and so something needs to be done immediately to get this information in the hands of the public. And I construe public in the broadest sense -- it is Congress, it is policymakers at the state and local level, it is the news media, it is the citizenry. This is going to be used by a number of people in many, many different ways.

Now having said all this, I want to raise four areas where I would hope we'd give some concentration as the bill is already enacted, we get more and better implementation. And I want to point out four areas.

One is the challenge is going to be getting this data up in a user-friendly, searchable format. I know because OMB Watch is now in the throes of trying to put up the two key databases and -- we'll do acronyms since you've already mentioned it, FAADS and FPDS -- contracts and the data deals with grants, loans, insurance, subsidies, we're trying to put it all available through an online service by October 1.

And so we're wrestling with this issue of how to do it. I would encourage that we create some kind of citizens panel, require some kind of beta testing from OMB so that we ensure that we're getting it in the way that it can be used.

The second concern I have is the data quality. All the conversation in the last panel was about obtaining information that is so critically important -- I would encourage in the bill we start to ask OMB to make recommendations on how to improve the data quality.

The third area is to make sure we're getting all the data we need. The issue is, as Senator McCain talked about, of Livestock Compensation Program -- we need to be sure we're going to get all of that data and the way the bill might be structured, we need to look at it carefully to make sure we're not going to exclude certain key elements like farm subsidies or flood insurance because they go to individuals.

So -- and the fourth point I would make, which you've already addressed, Senator Coburn, and that's make sure it's implemented. And the thorniest issue will be this issue of sub-recipient. I think we are strongly supportive...

(UNKNOWN): Hold on, make sure it's what?

BASS: Sub-recipient reporting -- sub-grants, subcontracts. And I think the chairman has identified some improvements -- already talked about -- and I think those go a long distance in getting us there. The real issue is to touch base with the players who are going to have to implement this and to make sure it can be done in a way that makes sense. And, you know, we just need to make sure this can be done.

I want to emphasize we're supportive of sub-recipient reporting. So let me conclude with a notion that this bill is a building block. It is not the be-all and end-all in transparency. A number of things the last panel talked about, like earmarks, mismanagement, are not going to be obtained by just simply a legislation that calls for greater disclosure of federal spending.

Similarly, there are many other important issues like tax expenditures. These are all things that need to be done and they should be added after this bill is passed and I'm hoping that you, Mr. Chairman, and you, Senator Carper, will lead in the efforts to enhance transparency once we move beyond this. So I'm very excited about this bill and I thank you for letting us testify today.

COBURN: Thank you, Dr. Bass.

Mr. Brenner?

BRENNER: OK. Thank you, Mr. Chairman, Senator Carper. As you heard, my name is Eric Brenner, director of the Maryland Governor's Grants Office, created less than three years ago by Governor Ehrlich and Lieutenant Governor Steele and in a short period of time, we've been recognized by the National Governor's Association as a best practice and we just won a special achievement award from the National Grants Management Association.

I think I can sort of cut to the chase pretty quickly here. We just came out with our third annual report. It lists every single federal grant received by state agencies in Maryland. This past year, it was 499 federal grants run through all of our state agencies, approximately \$7 billion.

We know from census data that the state of Maryland receives approximately \$9 billion in federal grants. So obviously, nine minus seven -- there's another \$2 billion floating around that goes to universities, it goes to nonprofits and it goes to local governments and as the legislators and the governor and mayors become increasingly familiar with the detail, we can give them -- on the money that flows through us -- there's a lot of interest in where's the rest of the money going and there's also a timing aspect.

So, the first year, they were happy to have anything. The second year, the interest picked up and at this latest report -- the federal fiscal year '04 is the most recent data we have -- the census produced

this December 27th of '05, they came out with federal fiscal year '04 data -- so it's almost a year-and-a-half late and it's not the reason why it took so long, but only three weeks later, my little office of three people was able to come up with state fiscal year '06 and even estimates for '07 data on federal funds coming through state government.

And as I'm working with legislators in front of the general assembly, (inaudible) what's the deal here? Why can't I get this information? And Senator Obama hit on a real-life example from this past legislative session, where there was small nonprofit and I'm going call it a YMCA -- it wasn't, but it was something like that -- national recognition in the county looking for funds.

And the legislator said, can you tell me if this little YMCA is getting any direct federal grants because, if they are, maybe we want to give them more money -- the feds trust them to manage the money well -- maybe that's a good thing, or maybe we want to go to another group and give them money, or maybe we want to stiff them -- we don't want to give them anything.

But we love to help them find out what other YMCAs are getting funds out there and you're telling me you can't do this. OK. Once the session is done, go work with your friends in the federal government and see if you can move this (inaudible) along a little bit faster because it really is valuable, they're real-live policy decisions that ride on things like this.

This wasn't the first time I was told by legislators or a governor to go back and talk to the federal folks to get more and better data back. When I was working for the prior governor in Illinois and Senator Obama was in the general assembly, I was charged with setting up an Illinois federal clearinghouse and at that time, the issue was access to grant notices.

At the time, I was charged with cobbling together a Web site that could pull in all new federal grant notices so state agencies and nonprofits could just see what the feds were offering up. It was about seven years ago and, at that time, I said, wait a minute, why are we doing this? Shouldn't this all be in one place and a couple of years later of lobbying and cajoling and work from Congress, Grants.gov is now working beautifully and no state has to devote staff to identifying what new federal grants are available -- it's out there on the Web site -- every day, you can flip on the machine in the morning and see what new grants are out there.

It's a real big step forward and yet even in Illinois, when we used to pull the data together, this issue would come up all the time -- is why do we only know what we're getting through us? Why can't we see what else is going on out there. I think Governor Ehrlich is flattered that other states are beginning to copy Grants Office -- they're really are just five or six or seven like this out there, but there are new ones popping up all the time.

I got a call from Delaware in the last three months -- a woman named Maureen Query (ph), who I'd never met before, is charged with setting up this office. She's working with Joe Hickey, who I know really well -- he did the training when you were governor and he's supposed to help her do training programs on grants management, but

first, she's got to ask, what are we getting? Can't we pull the numbers together? And that's going to eat up a lot of time.

So as much as Governor Ehrlich loves the fact people are copying our stuff, we would love to see every state have this information and free up my time so I can work more with nonprofits and local officials to better match resources with policy goals.

The last question that was addressed a bit -- this was the first time I've seen the revisions here and I'm speaking just for the Ehrlich-Steele administration in one state, but I do work pretty closely with the state associations on this and a handful of other states that have grant offices -- and there is a real concern at what's so close to a terrific idea can somehow get bogged down on the issue of the sub-grantee reporting.

And so many folks have wanted this for so long and even senior officials at OMB sort of went out on the limb to push for this initially and this was not popular to some of the federal agencies. And I think they realized a little push was a good thing.

But our 499 grant programs -- each one is managed differently or different statute and we do not have a statewide grants management system, nor does any state -- Michigan, I think will be the first to get there in a year or two and to merge 25 different grants management systems into one to get this data. It's going to be difficult.

So all I would say is urge -- to continue consultation with the bill sponsors in the House and OMB -- there's a legitimate issue here and I think, speaking for the people on this panel and a lot of the state governments, the bill is terrific and we really want to support it and would hate to see someone who doesn't like the core concept of the bill use a little detail like, you mean you want every Medicaid recipient the amount of money they got -- there are little ways you pick at this if you wanted to bring it down.

And a little bit of consultation, I think, can get over those...

COBURN: I'm sure you were already seeing that.

Mr. Tapscott?

TAPSCOTT: Thank you, senator. I appreciate very much the opportunity to be here and I just want to point out that, as one of your fellow Oklahomans, it is especially great to see you doing all of the things that you've been doing this past year on earmarks.

I want to also say that, particularly to my colleagues over on the press table, that normally I would be over there with them getting ready to ask you guys questions rather than sitting at this table hopefully answering questions from you all, but this on an issue that, like the Freedom of Information Act, I believe, is fundamentally important, both as an American citizen and to my profession -- my chosen profession.

And I think what is going to be possible as a result of the passage of this bill is of sufficient importance that I've encouraged all of the professional journalism organizations to become very

vocally in favor of this bill as well. I want to just address the basic question that I was asked to talk about and that is what effect would passage of this legislation have on journalism. And I think the closest analogy that I can think of is the effect of having campaign finance data widely available to journalists and to the general public -- this began about 20 years ago.

As you all well know, there's really no such thing as an anonymous donor these days and that is very much as a result of the fact that data on who is giving what to whom and which special interest are doing what with their money has become so widely and easily available. One of the effects of that in journalism, obviously, was that it enhanced the interest and the power of political reporting specifically.

But even more important than that, it empowered investigative journalism about government in a way that had not been previously possible, except on an anecdotal basis. Senator McCain mentioned the fine piece of reporting by that other newspaper in town, The Washington Post -- that was basically done as a result of inside sources and anecdotal reporting. It probably would have been done as a matter of course if this database was in existence.

And as a matter of course is a good phrase for what I think would be an accurate description of what would happen to government reporting when this database becomes widely available. We get no comprehensive, systematic daily reporting on where tax dollars are going simply because, as has been documented in abundant detail, it's basically impossible to get much of the information and extraordinarily difficult to get the rest of it.

We're in an era when most journalism organizations are cutting costs, unfortunately -- cutting staff, editorial staff, unfortunately. And frankly, there's just not enough people nor enough time to do the kind of rigorous investigative reporting that government deserves and the American people deserve. This would make a profound difference in that because it, frankly, would make it so much easier to get so much more of the data and I think that you would see every basic major beat in a newsroom from the cops beat, where the junior reporters start, right up to the investigative staffs incorporating as a matter of course data from this database.

Speaking as a professional journalist of 20 years, that excites me. Speaking as a blogger, of which I am also, I'm even more excited about what the potential effect on the new media will be of this database. One of my blogging colleagues, Ed Morrissey of Captain's Quarters, has predicted that very soon after this database becomes available, he believes there will be 10,000 blogs coming into existence, specifically for the purpose of exploring federal spending with regard to their particular stage of their particular congressional districts.

I think based on my own experience with the Porkbusters bloggers in the blogosphere, that Ed probably is underestimating the number of blogs that will come into being as a result of this. To summarize, I think that just as nobody who is in politics today or journalism can afford to ignore OpenSecrets.org, a Web site where campaign finance data first was made available.

We are very close to a time when the federal spending database will also be of that much importance and I'm sure there will be at least one Web site called SpendingSecrets.org and I hope I'll have something to do with that. Thank you very much.

COBURN: Thank you.

I want to ask each of you -- the bill that came out of the House excluded contracts. I personally believe that's a fatal error in the bill and I would like each of your comments on that.

TAPSCOTT: I think, having covered federal contracting on a waste and fraud (inaudible), it makes no sense to me at all to not include contracting data. As a journalist, of course, I want as much information as I can get, but the point of this database is to enhance the public's ability to know where the federal dollars are going and in order to understand that, you have to have information about the contracts.

COBURN: Mr. Brenner?

BRENNER: The state of Maryland gets about \$20 billion in federal procurement each year -- we only get about \$9 billion in grants. Most states it's reversed -- they get a lot more grant money than procurement and contracts. A few years ago, we did do a real brief document showing which counties it goes to, which companies -- and incredibly interesting, we have an intern working hard this summer to try to recreate it and that's all he's doing -- he's working really hard to pull this stuff together and again, it still will be slightly old data.

The need is great and it's important to recognize that within the federal government, the grants world and the contract procurement world are really different. I'm not sure how they grew up to be as different as they are, but when you're trying to do some of the things that you and the various sponsors have proposed, it really works very well right away on the contract side. The grants side might take a little more tweaking, but the value of the information is absolutely there. I've got an audience hungry for anything I can give them.

COBURN: And that is to make good decisions at the state level. You don't want the data just for the data, you want the data so that you can make a better decision at the state level.

BRENNER: Right. A practical example with the base closure -- the BRAC process concluding the more we know where the federal contract dollars are going, the better counties can prepare school systems, the better they can do roads, the better they can do job training with the welfare to work programs -- there's a real need for this that we can efficiently use our money and the longer we have to wait to get that information, the more we're set back.

COBURN: Dr. Bass?

BASS: I concur with my colleagues. You must have all venues for expenditures. I would say down the road we also need to add in tax expenditures, but we need to keep in mind is when we look at GAO and other audits that have occurred, the bulk of the patterns of mismanagement are all identified in the contracts side.

There have been no systemic patterns on the grants side. Although, I will say there have been some questions about allocations of funds under various forms of subsidies, particularly in light of Hurricane Katrina. And so I think it's an obvious piece to have both contracts and grants.

COBURN: With the recent revelations of congressional contract and favors and that, it seems to make no sense that we would not want contracts to be -- have sunshine on the contracts since there is this potential conflict of interest between fundraising and contracts. And you all would all agree with that?

TAPSCOTT: Absolutely. If I could just add, senator, I think -- I hate to use a term that I've used in other settings, but what the objective should be is a real accountability matrix to bring all these sources together.

COBURN: I would -- just thought that, you know, I've worked in a lot of areas -- under grants we've had flirting classes and clown demonstrations and all sorts of things. So I think they're both equally liable, although the vast majority of the dollars have been in the contract area.

One final question and I'll turn it over to Senator Carper. We've worked hard to try to make the UN accountable for our contributions in terms of the -- both the Oil for Food scandal and all the other -- we had a hearing here not long ago where they showed one-third of their expenditures were at waste, fraud and abuse. It is pretty hard for this government to demand the UN be accountable in how they spend their money when we aren't.

And so that's another reason for -- we can't claim to want to know how our money is spent elsewhere if we don't know how we're spending our money. So I'd make that comment.

Senator Carper?

CARPER: Thank you, sir. And gentlemen, thank you for -- very much for joining us and for your testimony and frankly for your interest and involvement in these issues for some time.

Mr. Brenner, thank you for your comments about Joe Hickey. When I was privileged to be governor for eight years, I worked with Joe. Joe was in charge, as you suggested, of training in our personnel area. He traveled more abroad in that role -- I don't know how he, Mr. Chairman, I don't know how he parlayed that position into as much foreign travel as he made. He made me look like a stay-at-home mom or something -- stay-at-home dad.

We should have a hearing on him. I don't think he does that anymore.

COBURN: Well, we will later.

(LAUGHTER)

CARPER: He was also a lot of fun and he was quite good at his job I'm telling you -- his name came up here in this subcommittee.



Dr. Bass, I want to come back to you. You were making four points -- the second I think involved data quality. The third was getting all the data we need and would you just review those with me -- with us again, please?

BASS: Yes, the first one is a user-friendly site and the problem that...

CARPER: Even go back before that -- that these are four points with reference to...

BASS: To strengthening as we move along to either implementation or in the final stages of marking up this bill. There are things that are -- I should rephrase this to say, you can always improve a bill, but we don't want tweaking and improvements to delay the passage of 2590. So the comments I'm making are in the notion of a constructive element of how can we strengthen in minor ways this bill as it's moving forward to achieve unanimous consent.

CARPER: Good.

BASS: The...

CARPER: Go ahead -- just run through those again if you would.

BASS: Yes, the four very quickly are a user-friendly Web site and one of my biggest concerns is, this is very complex data and it is, as we have found in trying to put up the data, you have federal shares, you have nonfederal shares, you have obligations versus what is actually spent -- it is not easy to penetrate.

The objective is we need to do it in a way that the public can really understand what our government is spending money on. It strikes me that one way to do that -- and there may be many other ways -- but some suggestions I had was create some kind of a citizens panel to watch how OMB is doing this and to get feedback to you on whether this is meeting the need -- it might be temporary, it might be during the creation of it or maybe every three years to assess it.

A second would be to beta test -- to test with users before the site goes live, with different kinds of users to make sure it's meeting the need. So that's sort of one.

The second is the...

CARPER: Well, would you say it's the most important of the four or is there one that's more important than the other?

BASS: Well, I think they're all equally important because in order to have in a user-friendly way you want to make sure the quality of the data is good. If the data itself is not expressing the kinds of things that you, too, have said today you want and the senators before us talked about, then it lacks utility.

I can tell you the data quality needs improvement and I do think that the public disclosure -- the bill itself in passage -- will help to improve the quality of the data because, as Mr. Tapscott talks

about, there are going to be a lot of reporters and others using this data. And so the government will have to clean up the data.

COBURN: Yes, that's a component of the bill -- public feedback is required in the bill and response to that is required as well.

BASS: Indeed and I think that's a critical element to retain. I do think maybe one notion in that response to the public comment -- maybe we should ask OMB to comment in its annual report how they will proceed to improve the data quality year after year. It might be a sub-piece of their report.

The third thing I talked about, which is really to the heart of what the two senators in the last panel spoke to, and that is making sure we're getting all the data we expect -- and what we say in the bill, we want to make sure what we're getting. An example -- the Livestock Compensation Program, that Senator McCain mentioned, we may not get because it's going to individuals or we may not get information about flood insurance that goes to say Katrina victims where there was some allegations of abuse. So we need to find a balance here to ensure we're getting all the information we definitely want without harming personal privacy.

And the last point I was making is really an issue about the sub-recipient reporting. It needs to be done in a way -- it should be done and it should be done in a way that does not create an overwhelming difficulty to have it done. I tend to think of it...

CARPER: I'm sorry, say that again -- make sure it's done in a way...

BASS: That it doesn't create an impossibility to implement. Let me break it into maybe three components. One issue of this bill deals with contracts and subcontractor reporting, which I think can relatively easily be done. And so contracts have for-profit motives built in -- you can require the contractor to notify about subcontractors and on down the line.

A second kind of category of sub-reporting is a sub-grant to a nongovernmental entity, like a nonprofit. In some of those cases, it may be relatively easy to do that. However, there is paperwork and other kinds of burden are imposed. And as you said, Senator Coburn, you want to do it in a way that ensures it doesn't create unnecessary burden.

The third category is what Mr. Brenner was talking about and that is grants that go to state and local governments, which is the larger share of grants. And that is a little more difficult because it isn't simply like the community development block grant that Senator Obama talked about. Many of the grants are co-mingled with state monies or local monies and it's hard to pull that apart and identify what is which.

COBURN: Let me, if I may...

BASS: Sure.

COBURN: I want to answer those. First of all, to be able to reply and to report on this is going to make every grantee and sub-grantee and state and local government better.

BASS: Right.

COBURN: Because if they don't have a system to know where their money is going now, they're going to have to have one to report under this -- and they should -- every grantee, every contract should know where they're spending their money. And if they don't, they're going to have to have a system to be able to do that, which should be a part of their grant application -- that's number one.

Number two, and I think it's relatively easy, if we're sending 12 percent of the money for some state program, then the answer in that is here's how the money was spent, of which 12 percent of the money was federal. They don't have to break it out. They can say here's the program -- you supplied this much money to the total, here's how we spent the money on the program.

So it makes states better. So they're going to have to report. If they're going to take federal funds, then they're going to have to say here's how the money went. They don't have to -- there's no judgment on it, but what it does is it creates -- this bill is going to create sunshine not just for the federal government, but for grantees and nonprofits and for states -- it's going to help everybody do better, have better financial control, but it's going to help everybody in this country know where their tax dollars are going to be going.

So I'm not -- and I don't think that's hard to do. If Google -- if you can get on Google today and punch anything in and find out all the things associated with it, it cannot be that hard for the federal government to do this in terms of the spending of the budget. It is not hard. And there's programs out there now that you can buy that give cross references for names -- I mean, this is not something that has to be reinvented -- it's already been invented and so it is not a difficult process to achieve this.

BASS: Well, I think your changes that you're proposing go a huge distance by creating both the study you have and a pilot to really test out the points you're making and I think Mr. Brenner could probably speak better to the state questions than certainly I could.

BRENNER: The fear that's out there -- that I think the OMB folks have probably expressed -- is that for this to be carried all the way through to the last dollar, the state governments will end up carrying a large share of the burden to track the dollars as they move through the counties, local governments and other places.

And this year was interesting because Grants.gov is in the process of making sure every federal grant has to be done online, electronically -- it was a big deal and they just sort of imposed that and there have been some real struggles where you're sitting there at 4:55 and you hit the button and it doesn't go through and just like that, you don't have someone to call. There have been some rough spots and it is getting better and it will be better next year.

So the goal is...

COBURN: (OFF-MIKE) hard when it starts. This won't be easy when it starts.

BRENNER: Yes. But again, there've been -- I know the National Association of State Auditors, Comptrollers and Treasurers (inaudible) have some legitimate issues here and yet for Maryland, Governor Ehrlich made this a sort of -- a second term priority in looking at all the issues. When we set up, he knew this was going to be a big deal to merge all these financial systems together and yet it's a goal we have.

So by moving to 2009 that's actually within the timeline we are looking to do. A concern, again, will be the other states that haven't even started to pull together just the basics -- who's getting the money piece. So they're legitimate issues, but to see this bill moving is very exciting and, as everyone has said today, you'd hate to see it pulled down over what I think are some fairly minor issues.

CARPER: Mr. Chairman, I've asked Dr. Bass to kind of review for us his four points that he thought would further strengthen the bill and I just want to ask Mr. Brenner and Mr. Tapscott -- so, please, react if you will to what he's laid out and what do you think he suggests that makes sense and where do you think that it maybe doesn't.

TAPSCOTT: I've worked with Gary Bass on this project for a long time and was in fact working on this project before Gary and I began working on it. So I associate myself with his first three points. On the...

CARPER: How about that fourth one?

TAPSCOTT: On the fourth point, I want to point out -- I've posted on this issue on my blog many times and almost invariably when I post something on this, I will be contacted by a private sector computer person who says, what's the big deal? We can do this -- we do it everyday in the banking industry. So I'm a little skeptical when I hear government people saying that, oh, we can't do that because that's what I hear from people in government all the time.

My guess is, it is probably analogous to the situation that we had a decade ago in migrating from a previous generation of computer information technology to a more advanced generation.

CARPER: Mr. Brenner?

BRENNER: I never met Gary Bass until today and yet I spoke to him once and we e-mailed back and forth on the testimony -- his written testimony, which is quite a bit longer, has a detailed section on the sub-grantee reporting, which I think is, one, pretty accurate and, two, if I was saying this, it would sound pretty self-serving -- is here's the state government guy who can't deliver, but an organization with the integrity of OMB Watch, you know, I think should be taken pretty seriously on this.

And the other fear that's out there is the issue of unfunded mandates being pushed from the federal government on to the state government and that's one way to take a large number of state people who really (inaudible) here and even seeing any potential risk in

language that wasn't even intended is a chance to take what should be a 100 percent good government proposal here and cause some trouble.

Grants.gov -- it was interesting to me how many years it took to get that going. Again, if I could glue little pieces of it together in state government with me working halftime and yet it got done -- it just took a while. This is a magnitude of complexity -- way beyond just putting on your new notices and yet it should be out there and we will be doing this in Maryland, especially if the governor gets re-elected.

And yet it's going to be a lot of work and everybody recognizes -- you're getting treasurers, you're getting controllers, you're getting fiscal people at multiple agencies working together -- formula grants, block grants, I mean, each grant is a different story and we've got a few I could comply with in half an hour and call you and get you all the information run down here, but then as I walk through the whole list of 500, we would squeeze down to the last 10 or 15 that really are difficult and it wouldn't be from a lack of wanting to comply.

CARPER: All right. Gentlemen, thank you.

COBURN: You would agree though, Mr. Brenner, that that will cause better government in the state of Maryland?

BRENNER: As Governor Ehrlich has said from (inaudible) today is however he wants the data out there, whether it looks good or bad or something else and the more information that's out there, the better for everybody.

COBURN: And all of you supported the House bill, is that correct?

(CROSSTALK)

(UNKNOWN): No.

COBURN: Did not because it did not have the...

(UNKNOWN): Right.

COBURN: ... but it did have sub-grant reporting right away, which we have changed. And the final point I want to make before I thank you for being here is OMB has not expressed any difficulties with this bill publicly. They support this bill -- they have said so and so with any change, there's problems. And change is difficult -- just ask my wife, when she talks about me changing.

So I know change is difficult, but the fact is, is it's going to be worth it. We're going to have better government, we're going to have better democracy, we're going to have more transparency and make us more accountable and it's going to help us solve the problems that Senator Carper and I and everybody else in this room are concerned about is how do we get out of the financial pickle we're in and the only way we do it is to know the details of the financial pickle we've got.

I want to thank each of you all for being here. The hearing is adjourned.

END

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